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FISCAL IMPACT STATEMENT

LS 7210

BILL NUMBER: SB 222

NOTE PREPARED: Jan 14, 2005

BILL AMENDED: Jan 13, 2005

SUBJECT: Preexisting Condition Waivers.

FIRST AUTHOR: Sen. Miller

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that individual and certain group policies of accident and sickness insurance may contain a waiver of coverage for a specified condition under certain circumstances. The bill specifies that an offer of coverage under a policy that includes a waiver does not preclude eligibility for an Indiana Comprehensive Health Insurance Association (ICHIA) policy.

The bill requires reporting by insurers to the Department of Insurance (DOI). It also requires the DOI to submit a report to the Legislative Council.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill provides that an individual, association, or discretionary group policy of accident and sickness insurance may contain a waiver of coverage for a specified condition and complications that arise from the specified condition if the period for which the exemption would be in effect does not exceed 5 years and the insurer provides a written notice explaining the waiver of coverage, among other conditions. The policy can not include more than two waivers per individual. The insurer must disclose to the applicant that the applicant may decline the offer and apply for a policy issued by the Indiana Comprehensive Health Insurance Association (ICHIA). An offer of coverage under a policy that includes a waiver does not preclude eligibility for an ICHIA policy. The waiver of coverage can not apply to coverage required under state law. An individual who is covered under a policy that includes a waiver may directly appeal a denial of coverage based on the waiver by filing a request for an external grievance review without pursuing an internal grievance. The bill applies to policies issued after June 30, 2005.

An insurer that issues a policy of accident and sickness insurance that contains a waiver must submit to the

DOI Commissioner on a form prescribed by the Commissioner information pertaining to policies issued. The information must be submitted for two reporting periods. The Commissioner must forward the information to the Legislative Council in an electronic format. The Commissioner must compile the information not later than November 1, 2007. This reporting requirement expires June 30, 2008.

The above provisions will increase administrative expenses for the DOI. However, it is presumed that the DOI will be able to absorb any additional expenses given its current budget and resources.

The impact to ICHIA, if any, is a potential decrease in demand for ICHIA policies. Any impact is likely to be small. However, insurers under existing law might not be willing to provide coverage to an individual who has a specific preexisting condition. ICHIA might be the only insurer willing to provide health coverage to the individual. Under the proposal, insurers other than ICHIA might be willing to offer this person a health insurance policy that provides for a waiver of coverage for a specified condition and complications that arise from the specified condition. In this case, the person might choose to purchase the insurance policy if at a lower premium cost than an ICHIA policy.

ICHIA Background: All carriers, health maintenance organizations, limited service health maintenance organizations, and self-insurers providing health insurance or health care services in Indiana are ICHIA members. ICHIA determines net premiums, administrative expenses, and incurred losses for the year. Beginning January 1, 2005, 25% of any net loss is assessed members in proportion to their respective shares of total health insurance premiums, and 75% of the net loss is to be paid by the state. Net gains, if any, must be held at interest to offset future losses or allocated to reduce future premiums.

To be eligible for an ICHIA policy, an Indiana resident must show evidence of being denied insurance coverage under any insurance plan that meets or exceeds the minimum requirements for accident and sickness insurance policies issued in Indiana without material underwriting restriction; an insurer has refused to issue insurance except at a rate exceeding the ICHIA plan rate; or the individual is eligible under the federal Health Insurance Portability and Accountability Act (HIPAA). The individual may not be eligible for Medicaid or Medicare. ICHIA provides health coverage to approximately 8,200 individuals. Members who have paid assessments prior to January 1, 2005, may take a credit against premium taxes, adjusted gross income taxes for each calendar year in which the assessments were paid and for succeeding years until the aggregate of those assessments have been offset by either credits against those taxes or refunds from the Association. Members may include in premiums charged for insurance policies amounts sufficient to recoup a sum equal to the amounts paid to the Association.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOI and ICHIA.

Local Agencies Affected:

Information Sources:

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